

WATERWORKS DISTRICT NO. 2  
OF THE PARISH OF BEAUREGARD  
BEAUREGARD PARISH POLICE JURY  
STATE OF LOUISIANA

ANNUAL FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

### Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements. The schedule of per diem paid to board members is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of per diem paid to board members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing, and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of per diem paid to board members is fairly stated in all materials respects in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 5, 2014, on my consideration of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.



DeRidder, Louisiana  
May 5, 2014

## BASIC FINANCIAL STATEMENTS

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement A

Statement of Net Position  
December 31, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,939,035
Receivables:	
Accounts	35,334
Ad valorem taxes	745,773
Grant	5,000
Total current assets	<u>\$ 2,725,142</u>
Restricted Assets	
Cash	<u>\$ 277,008</u>
Noncurrent Assets	
Land	\$ 5,324
Utility plant and equipment - net	2,602,666
Total noncurrent assets	<u>\$ 2,607,990</u>
Total assets	<u>\$ 5,610,140</u>
Deferred Outflows of Resources	
Deferred amount on refunding	<u>\$ 9,104</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,619,244</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 8,480
Payroll benefits payable	4,686
Pension payable - ad valorem tax	25,296
Total current liabilities	<u>\$ 38,462</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 5,092
Current portion of revenue bonds	129,000
Total liabilities payable from restricted assets	<u>\$ 134,092</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 420,000</u>
Total liabilities	<u>\$ 592,554</u>
Net Position	
Net investment in capital assets	\$ 2,058,990
Restricted for:	
Debt service	142,916
Unrestricted	<u>2,824,784</u>
Total net position	<u>\$ 5,026,690</u>
Total liabilities and net position	<u><u>\$ 5,619,244</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement B

Statement of Activities  
For the Year Ended December 31, 2013

		Program Revenues		Net (Expenses) Revenues and Changes in Net
	Expenses	Charges for Services	Capital Grants and Contributions	Business-type Activities
Program Activities				
Business-type activities:				
Water system	\$ 628,950	\$ 484,277	\$ 5,000	\$ (139,673)
General revenues:				
Investment earnings				\$ 2,374
Ad valorem tax receipts				745,587
Insurance proceeds				2,419
Total general revenues				750,380
Change in net position				610,707
Net position at beginning of year				4,415,983
Net position at end of year				\$ 5,026,690

The accompanying notes are an integral part of the statement.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement C

Statement of Net Position  
Proprietary Fund  
December 31, 2013

	Business-type Activities - Enterprise Fund Water and Sewer
<hr/>	
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,939,035
Receivables:	
Accounts	35,334
Ad valorem taxes	745,773
Grant	5,000
Total current assets	<u>\$ 2,725,142</u>
Restricted Assets	
Cash	<u>\$ 277,008</u>
Noncurrent Assets	
Land	\$ 5,324
Utility plant and equipment - net	<u>2,602,666</u>
Total noncurrent assets	<u>\$ 2,607,990</u>
Total assets	<u>\$ 5,610,140</u>
Deferred Outflows of Resources	
Deferred amount on refunding	<u>\$ 9,104</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,619,244</u></u>
<hr/>	
Liabilities	
Current Liabilities	
Accounts payable	\$ 8,480
Payroll benefits payable	4,686
Pension payable - ad valorem tax	25,296
Total current liabilities	<u>\$ 38,462</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 5,092
Current portion of revenue bonds	129,000
Total liabilities payable from restricted assets	<u>\$ 134,092</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 420,000</u>
Total liabilities	<u>\$ 592,554</u>
<hr/>	
Net Position	
Net investment in capital assets	\$ 2,058,990
Restricted for:	
Debt service	142,916
Unrestricted	<u>2,824,784</u>
Total net position	<u>\$ 5,026,690</u>
Total liabilities and net position	<u><u>\$ 5,619,244</u></u>

The accompanying notes are an integral part of this statement.



Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund

For the Year Ended December 31, 2013

	Business-type Activities - <u>Enterprise Fund</u> Water and Sewer
Operating revenues	
Charges for services	\$ 484,277
Operating expenses	
Personal services and related benefits	\$ 172,894
Supplies	43,167
Contractual services	200,514
Utilities	44,009
Depreciation	118,663
Total operating expenses	<u>\$ 579,247</u>
Income (loss) from operations	<u>\$ (94,970)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 2,374
Interest expense	(24,407)
Ad valorem taxes	745,587
Ad valorem taxes - pension expense	(25,296)
Insurance proceeds	2,419
Total nonoperating revenue (expenses)	<u>\$ 700,677</u>
Income (loss) before capital contributions	\$ 605,707
Capital contributions	<u>5,000</u>
Change in net position	\$ 610,707
Net position at beginning of year	<u>4,415,983</u>
Net position at end of year	<u><u>\$ 5,026,690</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement E

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2013

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 487,454
Cash payments to suppliers for goods and services	(286,874)
Cash payments to employees for services	(172,225)
Net cash provided by operating activities	<u>\$ 28,355</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (123,960)
Principal paid on long term debt	(125,000)
Interest paid on long term debt	(22,746)
Insurance proceeds	2,419
Net cash used for capital and related financing activities	<u>\$ (269,287)</u>
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 606,907
Pension paid on ad valorem taxes	(20,756)
Net cash provided by non-capital and related financing activities	<u>\$ 586,151</u>
Cash flow from investing activities:	
Interest income	<u>\$ 2,374</u>
Net increase (decrease) in cash and cash investments	\$ 347,593
Cash and cash equivalents, beginning	<u>1,868,450</u>
Cash and cash equivalents, ending	<u>\$ 2,216,043</u>

(Continued)

The accompanying notes are an integral part of this statement.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Statement E

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	<u>\$ (94,970)</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	\$ 118,663
Change in assets and liabilities:	
Increase in accounts receivable	3,177
Increase in accounts payable	816
Increase in payroll benefits payable	<u>669</u>
Net cash provided by operating activities	<u>\$ 28,355</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 2013

## INTRODUCTION

The Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five compensated board members appointed by the Beauregard Parish Police Jury.

The district is located in central Beauregard Parish in the southwestern region of the State of Louisiana. The district provides rural water service to approximately 1,600 residents and employs approximately four employees.

The accounting and reporting policies of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

The Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, and then unrestricted resources as they are needed.

**C. Cash and Cash Equivalents**

The district's cash is considered to be cash on hand, and demand deposits. Cash equivalents include amounts in time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

**D. Restricted Assets**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**E. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$24,407. Of this amount none was included as part of the cost of capital assets under construction in connection with the district's construction projects.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	20-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	3-15 years
Vehicles	5 years

**F. Compensated Absences**

The district has no formal leave policy and does not provide for the accumulation and vesting of leave.

**G. Long Term Obligations**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**H. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence. The district had no extraordinary or special items as of December 31, 2013.

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**J. Restricted Net Position**

For government-wide statements of net position, net position is reported as restricted when constraints placed on net position are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
2. imposed by law through constitutional provisions or enabling legislation.

**K. Receivables and Payables**

The district levies taxes on real and business personal property located within the boundaries of the district. Property taxes are levied by the district on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the district. Collections are remitted to the district monthly. The district recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2013
Levy date	June 30, 2013
Tax bills mailed	October 15, 2013
Total taxes are due	December 31, 2013
Penalties & interest due	January 31, 2014
Lien date	January 31, 2014
Tax sale	May 15, 2014

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

For the year ended December 31, 2013, taxes of 16.20 mills were levied on property with an assessed valuation totaling \$46,051,977 and were dedicated as follows:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General Maintenance	16.20	16.20	Annually

The following are principal taxpayers and related property tax revenue for the district:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for District
Trunkline Gas Company	Gas distribution	\$ 3,166,270	6.40%	\$ 51,294
Midstates Petroleum	Oil & Gas	11,787,719	23.84%	190,961
E P Energy E & P Company	Oil & Gas	9,197,920	18.60%	149,006
Swift Energy Operating	Oil & Gas	7,661,356	15.49%	124,114
Total		<u>\$ 31,813,265</u>	<u>64.33%</u>	<u>\$ 515,375</u>



Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**2. CASH AND CASH EQUIVALENTS**

At December 31, 2013, the district has cash (book balances) totaling \$2,216,043 as follows:

Demand deposits	\$ 137,397
Money market accounts	1,369,238
Savings account	139,610
Interest bearing demand deposits	569,798
Total	<u>\$ 2,216,043</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the district has \$2,212,286 in deposits (collected bank balances). These deposits are secured from risk by \$637,397 of federal deposit insurance and \$1,380,118 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$194,771 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**3. RECEIVABLES**

The receivables of \$786,107 at December 31, 2013, are as follows:

<u>Class of receivable</u>	
Accounts	\$ 35,334
Ad valorem taxes	745,773
Grant	5,000
Total	<u>\$ 786,107</u>

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2013, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 5,324	\$ -	\$ -	\$ 5,324
Capital assets being depreciated				
Vehicles	97,532	-	-	97,532
Buildings	63,384	-	-	63,384
Furniture	491	-	-	491
Utility plant and improvements	5,059,238	97,200	-	5,156,438
Machinery and equipment	313,482	26,759	-	340,241
Total capital assets being depreciated	<u>5,534,127</u>	<u>123,959</u>	<u>-</u>	<u>5,658,086</u>
Less accumulated depreciation for:				
Vehicles	76,462	7,426	-	83,888
Buildings	20,041	1,749	-	21,790
Furniture	491	-	-	491
Utility plant and improvements	2,626,453	90,007	-	2,716,460
Machinery and equipment	213,310	19,481	-	232,791
Total accumulated depreciation	<u>2,936,757</u>	<u>118,663</u>	<u>-</u>	<u>3,055,420</u>
Total business-type assets being depreciated, net	<u>\$ 2,597,370</u>	<u>\$ 5,296</u>	<u>\$ -</u>	<u>\$ 2,602,666</u>

**5. ACCOUNTS AND OTHER PAYABLES**

The payables of \$43,554 at December 31, 2013, are as follows:

Accounts	\$ 8,480
Payroll taxes	4,686
Pension plan - ad valorem tax	25,296
Accrued interest	5,092
Total	<u>\$ 43,554</u>

**6. RETIREMENT SYSTEMS**

All employees of the district are members of the Federal Social Security System. The district contributes 7.65% of gross salaries up the appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Continued)

**7. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term debt transactions of the district for the year ended December 31, 2013:

	<u>Revenue Bonds</u>
Bonds payable, January 1, 2013	\$ 674,000
Bonds retired	<u>(125,000)</u>
Bond payable, December 31, 2013	<u>\$ 549,000</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2013:

	<u>Revenue Bond</u>
Current portion	\$ 129,000
Long-term portion	<u>420,000</u>
Total	<u>\$ 549,000</u>

Bonds payable at December 31, 2013 are comprised of the following individual issue:

Revenue refunding bonds:

\$1,058,000 Water Revenue Refunding Bonds, Series 2008,  
dated October 1, 2008, due in annual installments of \$36,000 to  
\$145,000 beginning April 1, 2009 through April 1, 2017;  
interest at 3.72%

\$549,000

The annual requirements to amortize all debt outstanding as of December 31, 2013 including interest payments of \$41,831 are as follows:

	<u>Revenue Bonds</u>		
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 129,000	\$ 18,023	\$ 147,023
2015	135,000	13,113	148,113
2016	140,000	7,998	147,998
2017	<u>145,000</u>	<u>2,697</u>	<u>147,697</u>
Totals	<u>\$ 549,000</u>	<u>\$ 41,831</u>	<u>\$ 590,831</u>

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Notes to the Financial Statements (Concluded)

**8. RESTRICTED NET POSITION**

RESTRICTED ASSETS

Revenue bonds sinking funds	\$ 137,397
Revenue bonds depreciation and contingency funds	139,611
Total	<u>\$ 277,008</u>

Less:

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current portion of revenue bonds	\$ 129,000
Accrued interest on revenue bonds	5,092
Total	<u>\$ 134,092</u>

Restricted net position	<u>\$ 142,916</u>
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## OTHER SUPPLEMENTAL SCHEDULES

Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members  
For the Year Ended December 31, 2013

The following is a breakdown of commissioner's fees for the year ended December 31, 2013.

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
Bill White	15	50	\$ 750
Delores Franks	15	50	750
Dennis Hyatt	14	50	700
Jerry Cooley	14	50	<u>700</u>
Total			<u>\$ 2,900</u>

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature and within the provisions of R.S. 33:3819.

## OTHER REPORTS

Schedule of Prior Year Audit Findings and Management's Response  
Year Ended December 31, 2013

Finding-Financial Statement Audit

Audit Finding No. 2012-1

Deposits at local bank not collateralized by pledged securities

Condition:	There was \$886,607 of deposits at a local bank that had no securities pledged as collateral.
Criteria:	According to state law any deposit over the Federal Deposit Insurance Corporation's (FDIC) allowed limit must be secured by securities owned by the bank and pledged to the entity as collateral.
Cause and Condition:	The bank converted to a new system and the district was inadvertently dropped off the public funds record and securities that had been previously pledged were also dropped off as pledged.
Effect of Condition:	The district had \$886,607 of deposits that had no FDIC coverage or securities pledged to secure the deposits. This is a violation of state law.
Recommendation:	Since this was not a fault of the district, I can only recommend that the district continue to monitor the pledged securities that are used as collateral and make sure that these securities are enough to cover deposits at all times.

Date of initial occurrence – December 31, 2012

Corrective Action taken – No



Schedule of Current Year Audit Findings and Management's Response  
Year Ended December 31, 2013

Finding-Financial Statement Audit

Audit Finding No. 2013-1

Deposits at local bank not collateralized by pledged securities

Condition:	There was \$194,771 of deposits at a local fiscal agent bank that had no federal deposit insurance or securities pledged as collateral.
Criteria:	According to state law any deposits over the Federal Deposit Insurance Corporation's (FDIC) allowed limit must be secured by securities pledged by the fiscal agent bank to the entity as collateral.
Cause and Condition:	When the district's deposits at the local bank exceeded the FDIC coverage limit of \$250,000 for interest bearing deposits and \$250,000 for non-interest bearing deposits it was not noted by the fiscal agent bank and the securities that were pledged were not enough to cover the excess deposits over the FDIC coverage limit. The face amount of the pledged securities plus the FDIC coverage offered by the bank exceeded the amount on deposit by the district but the market value of the pledged securities was less than the face amount and this caused \$194,771 of the district's deposits to be uncollateralized.
Effect of Condition:	The district had \$194,771 of deposits that had no FDIC coverage or securities pledged to secure these deposits. This is a violation of state law. This is a repeat comment from the prior year's audit.
Recommendation:	Since this was not known by the district, I recommend that the district closely monitor the pledged securities that are used as collateral and make sure that the market value of the pledged securities plus FDIC coverage is enough to cover deposits at all times. It was noted that as of the audit report release date additional securities with sufficient market values had been pledged by the fiscal agent bank to cover the district's deposits.

*Beauregard Parish Waterworks District No.2,*

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Board of Commissioners

Delores Crabtree Franks- President  
Billy White- Vice President  
Dennis Hyatt-Commissioner  
Donnis Ashworth-Commissioner  
Jerry Cooley-Commissioner

May 7, 2014

Mr. Daryl G Pupera, CPA  
Louisiana Legislative Auditor  
1600 North Third St.  
Baton Rouge, LA 70804

Dear Mr. Pupera,

In response to the comment on "Audit Finding No. 2013-1, the bank carrying our securities failed to have adequate securities pledged for \$194,771 of our deposits as collateral as required by the state law.

Since the face value exceeded the coverage limit, and the bank had assured me that we had enough covered pledges for our deposit, I believed the coverage was adequate.

We have addressed this finding with the President of the bank and the problem has since been rectified. The pledges will be closely monitored at market value instead of the face value to make sure that these securities are maintained and are sufficient coverage at all times.

Respectfully yours,

*Paula Rose*

Paula Rose  
Secretary-Treasurer

# John A. Windham, CPA

*A Professional Corporation*

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John A. Windham, CPA  
Charles M. Reed, Jr., CPA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners  
Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued my report thereon dated May 5, 2014.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Board of Commissioners  
Waterworks District No. 2 of the Parish of Beauregard  
State of Louisiana

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year audit findings and management's response as Audit Finding No. 2013-1.

Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's response to the finding identified in my audit is described in the accompanying schedule of current year audit findings and management's response. Waterworks District No. 2 of the Parish of Beauregard, State of Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DeRidder, Louisiana  
May 5, 2014